

**EL Sewedy Electric Company**  
**(An Egyptian Joint Stock Company)**  
**Consolidated Financial Statements**  
**For the Financial Period**  
**From 1 January 2012 to 30 June 2012**  
**And Limited Review Report**



## **Hazem Hassan**

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### **Report on Limited Review of Interim Consolidated Financial Statements**

#### **To: The Members of Board of Directors of El Sewedy Electric Company**

#### ***Introduction***

We have performed a limited review for the accompanying consolidated balance sheet of El Sewedy Electric Company as of 30 June 2012 and the related consolidated statements of income, changes in equity and cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our limited review.

#### ***Scope of Limited Review***

Except as explained in the following paragraph, we conducted our limited review in accordance with Egyptian Standard on Review Engagements 2410, " Limited Review of Interim Financial Statements Performed by the Independent Auditor of the Entity." A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters in the Company, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim consolidated financial statements.

#### ***Basis for Qualified Conclusion***

We have not obtained the financial statements together with the auditors limited review report for Libya for Joint Cables Company, one of the company's subsidiaries that have not yet started its operations, of which its total assets amounted to L.E. 85 million at 30 June 2012. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

#### ***Qualified Conclusion***

Except for the adjustments to the interim consolidated financial statements that we might have become aware of had we obtained the financial statements and the auditor's limited review report thereon for the above mentioned subsidiary, based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements does not present fairly, in all material respects, the consolidated financial position of the company as at 30 June 2012 and of its consolidated financial performance and its consolidated cash flows for the six months period then ended in accordance with Egyptian Accounting Standards.



Hazem Hassan

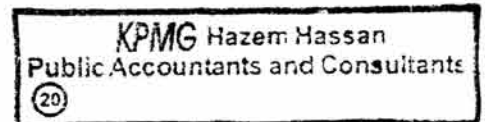
***Explanatory paragraph***

Without qualifying our conclusion, we draw attention to note no. 35 to the interim consolidated financial statements, the company is unable to obtain information and indicators that enable it to determine the effects of the current events in Arab republic of Syria on the values of some assets, liabilities and results of operations for the subsidiaries operating in Syria. The total assets of the Syrian subsidiaries are equivalent to L.E. 574 million and the liabilities are equivalent to L.E. 374 million as at 30 June 2012. The value of the assets and liabilities of these subsidiaries currently and in future may differ significantly when such reliable evidence and indicators become available to the company in a way that enable the company to identify the extent and impact of such events on the carrying amounts of the assets and liabilities included in the balance sheet

*KPMG Hazem Hassan*

KPMG Hazem Hassan  
Public Accountants and Consultants

Cairo, 2 September 2012



**EL Sewedy Electric Company**  
**( An Egyptian Joint Stock Company)**  
**Consolidated Balance Sheet**  
**As of 30 June 2012**

	Note No.	30/06/2012 L.E	31/12/2011 L.E
<b>Assets</b>			
<b>Long term assets</b>			
Fixed assets	(3-3)·(6)	3 345 960 173	3 479 597 528
Project under progress	(3-3)·(7)	209 362 749	256 138 006
Investments available for sale	(3-5)·(8)	14 686 247	14 686 247
Investments in associates	(3-1)	11 933 707	12 791 994
Debit balances	(3-4)·(9)	139 196 884	203 425 884
Intangible assets	(3-7)·(30)	239 445 141	227 319 965
Deferred tax assets	(20)	34 818 960	37 273 619
<b>Total long term assets</b>		<b>3 995 403 861</b>	<b>4 231 233 243</b>
<b>Current assets</b>			
Inventories	(3-8)·(10)	3 705 809 976	3 553 646 798
Trade, notes and other receivables	(3-4)·(11)	4 375 152 635	4 390 733 367
Due from affiliates	(28)	145 972 764	155 894 444
Investment fund / treasury bills	(3-6)·(12)	258 052 036	401 452 323
Banks and cash in hand	(13)	982 079 154	1 242 451 442
<b>Total current assets</b>		<b>9 467 066 565</b>	<b>9 744 178 374</b>
<b>Current liabilities</b>			
Banks facilities and overdraft	(3-11)·(14)	3 646 997 328	4 061 203 803
Loans	(3-11)·(15)	839 833 331	921 816 006
Notes payable due to banks		212 432 898	175 232 176
Trade, notes and other payables	(3-4)·(16)	2 208 808 772	1 929 596 852
Due to affiliates	(28)	155 087 596	240 460 510
Provisions	(3-10)·(17)	46 754 148	49 138 467
Dividends payable		223 418 000	-
<b>Total current liabilities</b>		<b>7 333 332 073</b>	<b>7 377 447 814</b>
<b>Working capital</b>		<b>2 133 734 492</b>	<b>2 366 730 560</b>
<b>Total investments</b>		<b>6 129 138 353</b>	<b>6 597 963 803</b>
<b>These investments to be financed as follows:</b>			
<b>Shareholders' Equity</b>			
Issued and paid capital	(18)	2 234 180 000	2 234 180 000
Own shares		( 1 422 160)	( 1 422 160)
Reserves	(19)	134 697 576	122 068 807
Increase in the net assets of the acquired subsidiaries over the consideration paid for the investment		578 908 660	578 908 660
Retained earnings		2 004 147 675	1 798 202 186
Net profits for the period/year		129 982 516	509 118 697
Foreign exchange differences resulted from foreign entities translation		( 221 645 423)	( 80 303 307)
<b>Total parent's shareholders' equity</b>		<b>4 858 848 844</b>	<b>5 160 752 883</b>
<b>Minority interest</b>		<b>391 891 344</b>	<b>413 732 744</b>
<b>Total equity</b>		<b>5 250 740 188</b>	<b>5 574 485 627</b>
<b>Long term liabilities</b>			
Loans	(3-11)·(15)	681 190 475	825 370 085
Deferred tax liabilities	(3-18)·(20)	123 515 318	119 655 377
Other liabilities	(21)	73 692 372	78 452 714
<b>Total long term liabilities</b>		<b>878 398 165</b>	<b>1 023 478 176</b>
		<b>6 129 138 353</b>	<b>6 597 963 803</b>

\* The accompanying notes are an integral part of these consolidated financial statements .

Chief Financial Officer  
Mr. Amr Mohamed Labib

Managing Director  
Eng. Ahmed Ahmed Sadek

Chairman  
Mr. Sadek Ahmed Elsewedy

Limited review report "attached "

**EL Sewedy Electric Company**  
**( An Egyptian Joint Stock Company )**  
**Consolidated Income Statement**  
**For the financial period from 1 January 2012 to 30 June 2012**

	Note No.	From 1/4/2012 to 30/6/2012 <u>L.E</u>	From 1/1/2012 to 30/6/2012 <u>L.E</u>	From 1/4/2011 to 30/6/2011 <u>L.E</u>	From 1/1/2011 to 30/6/2011 <u>L.E</u>
Operational revenues	(3-14)	3 670 640 444	7 127 480 575	3 933 125 244	7 486 492 497
Operational costs	(3-16)	(3 165 649 310)	(6 180 157 089)	(3 399 093 129)	(6 504 263 027)
<b>Gross profits</b>		<b>504 991 134</b>	<b>947 323 486</b>	<b>534 032 115</b>	<b>982 229 470</b>
Other operating income	(23)	( 5 423 812)	17 195 503	26 216 033	51 524 216
Selling and distribution expenses	(3-16)	( 108 641 643)	( 188 795 322)	( 88 647 993)	( 165 006 444)
Administrative expenses	(3-16)	( 105 758 543)	( 256 458 876)	( 135 757 716)	( 267 152 282)
Other operating expenses	(24)	( 34 487 248)	( 55 102 980)	( 19 902 537)	( 34 550 475)
<b>Operating profits</b>		<b>250 679 888</b>	<b>464 161 811</b>	<b>315 939 902</b>	<b>567 044 485</b>
Financing income		3 200 451	29 823 437	4 214 579	28 193 774
Financing costs		( 211 381 932)	( 314 443 641)	( 118 480 065)	( 180 199 190)
<b>Net financing costs</b>	(25)	<b>( 208 181 481)</b>	<b>( 284 620 204)</b>	<b>( 114 265 486)</b>	<b>( 152 005 416)</b>
<b>Net profit for the period before tax</b>		<b>42 498 407</b>	<b>179 541 607</b>	<b>201 674 416</b>	<b>415 039 069</b>
<b>Income tax</b>					
Current income tax	(3-18)	( 13 244 326)	( 43 962 708)	( 26 376 750)	( 55 243 370)
Deferred income tax	(3-18)	1 316 977	( 2 285 380)	( 5 760 083)	( 7 500 916)
<b>Net profit for the period after tax</b>		<b>30 571 058</b>	<b>133 293 519</b>	<b>169 537 583</b>	<b>352 294 783</b>
<b>Attributable to :</b>					
Equity holders of the holding company		31 642 143	129 982 516	160 645 292	331 952 950
Minority interest		( 1 071 085)	3 311 003	8 892 291	20 341 833
		<b>30 571 058</b>	<b>133 293 519</b>	<b>169 537 583</b>	<b>352 294 783</b>
<b>Earnings per share</b>	(3-19) (33)	<b>0.14</b>	<b>0.58</b>	<b>0.72</b>	<b>1.49</b>

\* The accompanying notes are an integral part of these consolidated financial statements.

**El. Sessh. Electric Company**  
(An Egyptian Joint Stock Company)  
Consolidated changes in Equity's statements  
For the financial period from 1 January 2012 to 30 June 2012

	Issued and paid capital	Payments under capital increase	Own shares	Legal reserve	General reserve	Employee share based reserve	Increase in the net assets of the acquired subsidiaries over the consideration paid for the investment	Retained earnings	Profit attributable to the holding for the period/year	Foreign exchange differences resulted from foreign entities translation	Total parent's shareholders' equity	Minority interest	Total share holders' equity
<b>Balance as at December 31, 2010</b>	<b>1 718 600 000</b>	<b>-</b>	<b>(1 704 990)</b>	<b>36 713 202</b>	<b>43 816 730</b>	<b>3 424 159</b>	<b>578 908 660</b>	<b>1 810 338 694</b>	<b>795 529 148</b>	<b>(58 509 142)</b>	<b>4 927 116 461</b>	<b>414 195 385</b>	<b>5 341 311 846</b>
Transferred to retained earnings	-	-	-	-	-	-	-	795 529 148	(795 529 148)	-	-	-	-
Transferred to legal reserve	-	-	-	41 538 875	-	-	-	(41 538 875)	-	-	-	-	-
Minority share in subsidiaries profit distribution	-	-	-	-	-	-	-	-	-	-	-	-	-
Minority share in capital increase of subsidiaries or acquired subsidiaries during the year	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange differences from foreign entities translation	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments to the retained earnings	-	-	-	-	-	-	-	(12 204 590)	-	(21 794 165)	(21 794 165)	(24 498 854)	(24 498 854)
Effect of employees shares based payments to be (L.E. 4 227 700)	-	-	-	-	-	-	-	(515 075 070)	-	-	-	-	-
Stock dividends (profit for year 2010)	-	-	-	-	-	-	-	(171 860 000)	-	-	-	-	-
Cash dividends (profit for year 2010)	-	-	-	-	-	-	-	(70 427 061)	-	-	-	-	-
Dividends to employees	-	-	-	-	-	-	-	3 439 940	-	-	-	-	-
Exercised options	-	-	-	-	-	-	-	-	-	-	-	-	-
Net profit for year	-	-	-	-	-	-	-	1 798 202 186	509 118 697	(80 303 307)	5 160 752 883	413 732 744	5 574 485 627
<b>Balance as at December 31, 2011</b>	<b>2 234 180 000</b>	<b>-</b>	<b>(1 422 160)</b>	<b>78 252 077</b>	<b>43 816 730</b>	<b>-</b>	<b>578 908 660</b>	<b>509 118 697</b>	<b>(509 118 697)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Transferred to retained earnings	-	-	-	-	-	-	-	509 118 697	(509 118 697)	-	-	-	-
Transferred to legal reserve	-	-	-	12 628 769	-	-	-	(12 628 769)	-	-	-	-	-
Minority share in subsidiaries profit distribution	-	-	-	-	-	-	-	-	-	-	-	-	-
Minority share in capital increase of subsidiaries or acquired subsidiaries during the period	-	-	-	-	-	-	-	-	-	-	-	-	-
Eliminated minorities for under liquidated subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange differences from foreign entities translation	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments to the retained earnings	-	-	-	-	-	-	-	(3 266 590)	-	(141 342 116)	(141 342 116)	895	(141 341 221)
Cash dividends (profit for year 2011)	-	-	-	-	-	-	-	(223 418 000)	-	-	(3 266 590)	12 133	(3 254 257)
Dividends to employees	-	-	-	-	-	-	-	(63 860 049)	-	-	(63 860 049)	-	(63 860 049)
Net profit for the period from 1.1.2012 to 30.6.2012	-	-	-	-	-	-	-	2 004 147 675	129 982 516	(221 645 423)	4 858 848 844	391 991 344	5 250 740 188
<b>Balance as at June 30, 2012</b>	<b>2 234 180 000</b>	<b>-</b>	<b>(1 422 160)</b>	<b>90 880 846</b>	<b>43 816 730</b>	<b>-</b>	<b>578 908 660</b>	<b>2 004 147 675</b>	<b>129 982 516</b>	<b>(221 645 423)</b>	<b>4 858 848 844</b>	<b>414 195 385</b>	<b>5 341 311 846</b>
<b>Balance as at December 31, 2010</b>	<b>1 718 600 000</b>	<b>-</b>	<b>(1 704 990)</b>	<b>36 713 202</b>	<b>43 816 730</b>	<b>3 424 159</b>	<b>578 908 660</b>	<b>1 810 338 694</b>	<b>795 529 148</b>	<b>(58 509 142)</b>	<b>4 927 116 461</b>	<b>414 195 385</b>	<b>5 341 311 846</b>
Transferred to retained earnings	-	-	-	-	-	-	-	795 529 148	(795 529 148)	-	-	-	-
Transferred to legal reserve	-	-	-	41 538 875	-	-	-	(41 538 875)	-	-	-	-	-
Minority share in subsidiaries profit distribution	-	-	-	-	-	-	-	-	-	-	-	-	-
Minority share in capital increase of subsidiaries or acquired subsidiaries during the period	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange differences from foreign entities translation	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments to the retained earnings	-	-	-	-	-	-	-	(10 623 802)	-	-	-	-	-
Effect of employees shares based payments to be (L.E. 3 906 283)	-	-	-	-	-	-	-	(515 075 070)	-	-	-	-	-
Stock dividends (profit for year 2010)	-	-	-	-	-	-	-	(171 860 000)	-	-	-	-	-
Cash dividends (profit for year 2010)	-	-	-	-	-	-	-	(63 477 200)	-	-	-	-	-
Dividends to employees	-	-	-	-	-	-	-	-	-	-	-	-	-
Net profit for the period from 1.1.2011 to 30.6.2011	-	-	-	-	-	-	-	1 803 292 895	331 952 950	(14 503 324)	5 057 596 351	20 441 833	5 078 038 184
<b>Balance as at June 30, 2011</b>	<b>1 718 600 000</b>	<b>515 580 000</b>	<b>(2 209 920)</b>	<b>78 252 077</b>	<b>43 816 730</b>	<b>3 906 283</b>	<b>578 908 660</b>	<b>1 803 292 895</b>	<b>331 952 950</b>	<b>(14 503 324)</b>	<b>5 057 596 351</b>	<b>418 115 252</b>	<b>5 475 711 603</b>

\* The accompanying notes are an integral part of these consolidated financial statements

**El Sewedy Electric Company**  
**( An Egyptian Joint Stock Company)**  
**Consolidated Cash Flows Statement**  
**For the financial period from 1 January 2012 to 30 June 2012**

	From 1/1/2012 to 30/6/2012 <u>L.E</u>	From 1/1/2011 to 30/6/2011 <u>L.E</u>
<b>Cash flows from operating activities:</b>		
Net Profit for the period before tax	179 541 607	415 039 069
<b>Adjustments to reconcile net profits to net cash provided by operating activities :</b>		
Depreciation	164 395 629	166 817 455
Amortization	5 008 810	7 127 448
Provisions and receivable impairment	20 704 285	13 868 509
Finance cost	284 620 205	152 005 416
Capital gains	( 416 850)	( 313 042)
Charge for employees shares based payments	-	482 124
Loss from investment in associate	858 286	-
<b>Operating profit before changes in working capital</b>	<b>654 711 972</b>	<b>755 026 979</b>
Changes in trade, notes and other receivables	59 368 925	( 98 466 892)
Changes in inventories	( 152 163 178)	( 573 436 911)
Changes in related parties	( 75 451 234)	( 19 395 311)
Changes in trade, notes and other payables	( 168 272 179)	( 667 806 911)
<b>Net cash provided by (used in) operating activities</b>	<b>318 194 306</b>	<b>( 604 079 046)</b>
<b>Cash flows from investing activities</b>		
Acquisition of fixed assets	( 92 395 769)	( 158 601 305)
Acquisition of intangible assets	( 17 133 986)	-
Change in investment at associates and available for sale	-	( 1 272 446)
Proceeds from sale of fixed assets	7 751 311	4 848 745
Net proceeds from treasury bills and investment fund	143 400 287	176 594 500
<b>Net cash flows provided by investing activities</b>	<b>41 621 843</b>	<b>21 569 494</b>
<b>Cash flows from financing activities</b>		
Dividends paid to minority	( 22 723 538)	( 16 475 786)
Proceeds from minorities share in subsidiaries capital increase	5 703 140	178 711
( Payments ) proceeds of loans, bank facilities and overdraft	( 603 168 039)	697 040 781
Dividends paid to shareholders	-	( 171 860 000)
<b>Net cash flows (used in) provided by financing activities</b>	<b>( 620 188 437)</b>	<b>508 883 706</b>
<b>Net change in cash and banks</b>	<b>( 260 372 288)</b>	<b>( 73 625 846)</b>
<b>Cash and banks at the beginning of the period</b>	<b>1 242 451 442</b>	<b>1 000 073 799</b>
<b>Cash and banks at the end of the period</b>	<b>982 079 154</b>	<b>926 447 953</b>
<b>Restricted cash</b>	<b>( 7 261 749)</b>	<b>( 7 826 065)</b>
<b>Net cash and cash equivalents at the end of the period</b>	<b>974 817 405</b>	<b>918 621 888</b>

\* The accompanying notes are an integral part of these consolidated financial statements.

**EL Sewedy Electric Company**

**Notes to the consolidated financial statements – 30 June 2012**

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**1. Company background**

El Sewedy Electric Company “previously El Sewedy Cables” is an Egyptian Joint Stock Company, established under the Investment Incentives and Guarantees Law No. 8 of 1997 and was registered in the commercial registration under No. 14584 on 1 June 2005.

The Company’s Extra-ordinary General Assembly held on 19/4/2010 decided to change the company name from “EL Sewedy Cables” to “EL Sewedy Electric“. This change was authenticated in the company commercial register on 4/10/2010. The company has obtained the approval for the change of its name from Misr for Central Clearing, Depository and Registry Company on 31/10/2010, and changed the name in the Egyptian Stock Exchange on 3/11/2010.

The Company’s purpose is to establish and operates a production facility for power cables, transformers, terminators, joint accessories, copper and aluminum terminators either coated or not coated production. In addition to designing, building, managing, operating and maintaining power generation units and power nets. The duration of the company is 25 years from 1/6/2005 (the date of its registration in the commercial register).

The consolidated financial statement includes the holding company and its subsidiaries “The group”.

**2. Basis of preparation**  
**Statement of Compliance**

The consolidated financial statements have been prepared in accordance with Egyptian Accounting Standards and the Egyptian laws and regulations.

The consolidated financial statements were approved by the Board of Directors on 2 September 2012.

**Basis of measurement**

The financial statements have been prepared on the historical cost basis except for financial derivatives measured at fair value and available for sale investments. The methods used to measure fair values are discussed further in note No. 34 below.

**Functional and presentation currency**

These consolidated financial statements are presented in Egyptian Pound, which is the company’s functional currency.

**Use of estimates and judgments**

The preparation of the financial statements in conformity with Egyptian Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:



**EL Sewedy Electric company**

**Notes to the consolidated financial statements – 30 June 2012**

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- Note (6) – Fixed assets
- Note (17) – Provisions
- Note (20) – Deferred taxes
- Note (22) – Contract revenues
- Note (30) – Business combination
- Note (31) – Shares based payment
- Note (34) – Valuation of financial instruments

**3. Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

**3-1 Basis of consolidation**

**Subsidiaries**

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

**Acquisitions from entities under common control**

Business combinations arising from transfers of interests in entities that are under the control of the shareholders that controls the Group are accounted for as of the acquisition date. The assets and liabilities acquired are recognized at the carrying amounts recognized previously in the Group's controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within the Group equity and any gain/loss arising is recognized directly in equity.

**Loss of control**

Upon loss of control, the group derecognizes the assets and liabilities of the subsidiary, any minority interests and other components of equity related to the subsidiary. Any surplus or deficit is recognized in profit or loss. If the group retains any interest in the previous subsidiary it's accounted for subsequently as an equity investee or an available for sale financial asset depending on the level of influence retained.

**Investment in associates and jointly controlled entities**

Associates are those entities in which the Group has significant influence, but not control over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Joint controlled entities are those entities over whose activities the Group has joint control. Investment in associates is initially recorded at cost and account for this investment under the equity method.

**Transactions eliminated on consolidation**

Intra-group balances, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the group interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

**EL Sewedy Electric company**

**Notes to the consolidated financial statements – 30 June 2012**

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**3-2 Foreign currency**

**Foreign currency transactions**

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency differences arising on retranslation are recognised in the consolidated profit or loss.

**Foreign Operations**

The assets and liabilities of foreign operations are translated to Egyptian Pound at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Egyptian Pound at exchange rates at the dates of the transactions. Foreign currency differences arising on retranslation are recognised in a separate item under the equity in the consolidated balance sheet.

**3-3 Fixed assets**

**Recognition & measurement**

Items of fixed assets are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self constructed assets includes the cost of materials and direct labor, any others costs directly attributable to bringing the asset to a working conditions for its intended use. When parts of an item of fixed assets have different useful lives, they are accounted for as separate items of fixed assets

**Subsequent costs**

The cost of replacing part of an item of property, plant and equipment is recognised if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the consolidated profit or loss as incurred.

**Project under progress**

Project under progress are added to fixed assets and depreciated when it become ready for its intended use.

**Depreciation**

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives for the current and comparative years are as follows:

Buildings	8 -50 years
Machinery and equipment	5-10 years
Furniture	4 -17 years
Vehicles	5-8 years

**EL Sewedy Electric company**

**Notes to the consolidated financial statements – 30 June 2012**

Machinery and equipment related to wind activity are amortized according to units of production depreciation method.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

**Capital lease**

Rental expenses of capital lease in-addition to the operating costs such as maintenance and repair of the leased assets are charged to the income statement on a straight – line basis over the period of lease. In case of purchasing the leased assets at the end of the contract using the contract bargain purchase option, these assets should be recorded as fixed assets with the bargain option amount agreed in the lease contract, and are depreciated over the remaining estimated useful life according to the applied depreciation policy.

**3-4 Financial instruments**

**Non-derivative financial instruments**

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

The financial assets and liabilities are recognised in the balance sheet when the company and its subsidiaries become side in the financial instruments agreement. The financial instrument is initially recognized by its fair value.

Cash and cash equivalents comprise cash balances and call deposits for a period more than three months which form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

**Derivative financial instruments**

The Group doesn't hold derivative financial instruments for speculative purposes. The hedged instrument is recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value.

**3-5 Available-for-sale financial assets**

The Group's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value (if quoted) and changes therein, other than impairment losses, and foreign exchange gains and losses on available-for-sale monetary items are recognized directly in equity. When an investment is derecognized, the cumulative gain or loss in equity is transferred to income statement. Investments which are not listed at stock exchanges are measured at historical value after reducing any impairment losses.

**3-6 Investment in funds and treasury bills**

**3-6-1 Investment in funds**

Investments in funds are recorded according to its announced recoverable value.

**3-6-2 Investment in treasury bills**

Where the Group has the positive intent and ability to hold treasury bills to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortized cost.

**EL Sewedy Electric company**

**Notes to the consolidated financial statements – 30 June 2012**

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The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility

**3-7 Other assets**

**Goodwill**

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities of the acquirer. When the excess is negative, it is recognized immediately in profit or loss.

**Intangible assets**

Intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized in the profit and loss on a straight line basis over the estimated useful lives of intangible assets, other than goodwill, from the date they are available for use. The estimated useful life:

Patents 20 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**3-8 Inventories**

Inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the normal course of business minus the estimated cost for completion and any selling costs. Net realizable value of the quantity of inventory held to satisfy firm sales is based on the contract price. If the sales are for less than the inventory quantities held, the net realizable value of the excess is based on general selling price. Provision arises from firm sales contracts in excess of inventory quantities held or from firm purchase contracts.

Cost of raw materials is determined using the weighted average method. In case of finished goods and work in process, cost includes direct material and direct labor cost and an appropriate share of production cost.

**3-9 Impairment**

**Financial assets**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between the carrying amount and the present value of the estimated future cash flows discounted at the assets original effective interest rate.

Impairment losses on available for sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity, to profit and loss.

Individually significant financial assets are tested for impairment on an individual basis. All impairment losses are recognised in profit or loss. Financial assets that are not individually

**EL Sewedy Electric company**  
**Notes to the consolidated financial statements – 30 June 2012**

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significant are collectively assessed for impairment by grouping them together according to their similar risk characteristics

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

**Non-financial assets**

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**3-10 Provisions**

Provisions are recognized when the Group has a legal or constructive obligation as a result of past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and the liability can be reliably estimated. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market adjustments of the time value of money and the risks specific to the liability. The provisions are reviewed at each balance sheet date and amended, when necessary, to represent the best current estimate.

**3-11 Interest bearing borrowings**

Interest bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortized cost with any difference between cost and redemption value been recognized over the period of borrowing on an effective interest basis.

Interest and commissions on credit facilities and loans that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of those assets till the date of availability for use. All borrowing costs that do not meet the capitalization criteria are recognized as expense in consolidated income statement as incurred.

**3-12 Dividends**

Dividends are recognized as a liability in the financial period in which the dividends are approved by the shareholders general meeting.

**3-13 Own shares**

When share capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a deduction from equity. Gain or losses arising from sale of own shares are included in equity in the consolidated financial statements.

**EL Sewedy Electric company**

**Notes to the consolidated financial statements – 30 June 2012**

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**3-14 Recognition of revenue**

**Sales revenue**

Revenue from sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods. Risk and rewards of ownership are transferred when goods are received at the customer's warehouse; however, for some international shipments transfer occurs upon loading the goods onto the relevant carrier.

**Revenue of construction contracts**

Revenues from construction contracts are recognized using the percentage-of-completion method. The percentage-of-completion is measured by correlating costs incurred to date to estimated total costs for each contract.

Contract costs include all direct material, equipment, labor, subcontractors and those indirect costs related to contract performance, such as indirect labor and maintenance costs. General and administrative costs allocable to particular contracts are charged to contract costs. All other general and administrative costs are charged to expense as incurred. Changes in job performance, job conditions, estimated profitability and final contract settlements may result in revisions to costs and income and are recognized in the period in which the facts requiring such revisions become known.

Provision for estimated losses including allocable general and administrative expenses on uncompleted contracts is made in the period in which such losses are determined. Claims for additional contract revenue are recognized when realization is assured and the amount can be reasonably determined.

**Investment income**

Income from available-for-sale investments are recognized when the Group's right to the income is established.

**Credit interest**

Credit interest is recognized in the income statements according to the effective interest rate method.

**3-15 Segment reporting**

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on business segments.

**3-16 Expenses**

Operating expenses, selling and distribution, general administrative expenses and other expenses are recognized using the accrual basis of accounting and as such are recognized in the income statement as incurred.

**EL Sewedy Electric company**

**Notes to the consolidated financial statements – 30 June 2012**

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**3-17 Employees benefits**

**Social Insurance Scheme**

The Group contributes in the governmental social insurance system for the benefits of its employees according to the social insurance Law No. 79 of 1975 and its amendments. The Group's contributions are recognized in income statement using the accrual basis of accounting. The Group's obligation in respect of employees' pensions is confined to the amount of the aforementioned contributions.

**Share based payments**

The fair value of options granted to employees is recognized as expense, with a corresponding increase in equity over the period that the employees becomes unconditionally entitled to the options. Any changes in fair value is recognized as employees' salaries in the consolidated income statement.

**3-18 Income tax**

Income tax in the parent and its subsidiaries' includes income tax for the current period and the deferred tax. Income tax is recognized in the consolidated income statement except for the income tax related to the equity items which are stated directly in the equity in the consolidated financial statements.

Income tax is recognized on net taxable income using tax rates enacted at the consolidated financial statements date and in addition to any tax differences related to the previous years.

Deferred income tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the consolidated balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**3-19 Earnings per share**

Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period.

**4. Fair Value**

A number of the group accounting policies and disclosures require the determination of fair value, for both financial and non financial assets and liabilities. Fair values have been determined for measurement and/ or disclosure purposes based on the following methods :-

**EL Sewedy Electric company**

**Notes to the consolidated financial statements – 30 June 2012**

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**Fixed assets**

The fair value of the fixed assets recognised as a result of a business combination is based on market values. The market value of fixed assets is the estimated amount for which an asset could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

**Inventories**

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories

**Intangible assets**

The fair value of patents acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the patent or trade mark being owed.

**Investments in equity instrument**

Fair values is based on quoted market for listed available for sale security at consolidated balance sheet date except for the unquoted equity security to be valued by using discounted cash flows method.

**Receivables**

The fair value receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting period

**5. Financial risk management**

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the board of directors.



**EL Sewedy Electric company**

**Notes to the consolidated financial statements – 30 June 2012**

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**Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

**Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

**Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

**Currency risk**

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the euro and U.S. Dollars.

**Interest rate risk**

All the Group investments and borrowing are based on Libor rates or Egypt Central Bank rates plus a fixed percentage to reduce risk.

**El Sewedy Electric Company**  
**Notes to the consolidated financial statements - 30 June 2012**

*Translated from Arabic*

**6 Fixed Assets**

	Land	Buildings	Machinery & Equipment	Furniture & Office Supplies	Vehicles	Total
	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
<b>Cost</b>						
Balance as of 1/1/2012	398 888 432	1 309 927 946	2 367 644 264	100 885 567	127 361 166	4 304 707 375
Additions	2 702 436	12 727 590	26 389 021	4 132 428	4 655 371	50 606 846
Additions from project under progress	-	20 528 587	49 207 879	355 978	284 962	70 377 406
Disposals	( 245 235)	-	( 10 377 796)	( 2 178 767)	( 1 905 961)	( 14 707 759)
Adjustments	( 1 827)	422 232	5 453 077	( 193 489)	( 5 307 333)	372 660
Foreign exchange translation differences	( 8 732 824)	( 26 365 752)	( 106 912 044)	( 3 555 591)	( 8 152 362)	( 153 718 573)
Cost as of 30/6/2012	<u>392 610 982</u>	<u>1 317 240 603</u>	<u>2 331 404 401</u>	<u>99 446 126</u>	<u>116 935 843</u>	<u>4 257 637 955</u>
<b>Depreciation</b>						
Accumulated Depreciation as of 1/1/2012	-	128 911 688	581 354 681	42 937 025	71 906 453	825 109 847
Depreciation	-	25 102 518	120 161 587	8 694 376	10 437 148	164 395 629
Disposals	-	-	( 4 694 240)	( 1 534 876)	( 1 144 182)	( 7 373 298)
Adjustments	-	-	3 953 972	( 224 519)	( 4 851 652)	( 1 122 199)
Foreign exchange translation differences	-	( 7 450 060)	( 53 508 540)	( 2 213 000)	( 6 160 597)	( 69 332 197)
Accumulated Depreciation as of 30/6/2012	<u>-</u>	<u>146 564 146</u>	<u>647 267 460</u>	<u>47 659 006</u>	<u>70 187 170</u>	<u>911 677 782</u>
Net carrying amount as of 31/3/2012	<u>392 610 982</u>	<u>1 170 676 457</u>	<u>1 684 136 941</u>	<u>51 787 120</u>	<u>46 748 673</u>	<u>3 345 960 173</u>
Net carrying amount as of 31/12/2011	<u>398 888 432</u>	<u>1 181 016 258</u>	<u>1 786 289 583</u>	<u>57 948 542</u>	<u>55 454 713</u>	<u>3 479 597 528</u>

**EL Sewedy Electric company****Notes to the consolidated financial statements – 30 June 2012****7. Projects under progress**

Projects under progress as of 30 June 2012 represent the company's new projects and expansions in existing plants in Saudi Arabia, Algeria, Syria, Sudan and Libya of L.E 12 million, Transformer plant in Egypt of L.E 8.9 million, engineering workshop building of L.E 35 million, fiber optics and special cables of L.E 32 million, factories for Elsewedy Electric Company of L.E. 31 million, machinery and equipment under progress for subsidiaries expansions in Egypt of L.E 24 million, the company's new head office in the Fifth Settlement – New Cairo of L.E 65.31 million and the remaining balance represents the expansions cost to increase the production capacity in Egypt and other countries in which the company operates.

**8. Investments available for sale**

	<b>30/06/2012</b>	<b>31/12/2011</b>
	<b><u>L.E</u></b>	<b><u>L.E</u></b>
(42 840 shares represent 3.57% of Oriental Petrochemical Company's share capital- An Egyptian Joint Stock Company)	4 284 000	4 284 000
(1 000 000 shares represent 10% of Kahromica Company's share capital- An Egyptian Joint Stock Company)	10 000 000	10 000 000
(Company contribution represents 50 % of 3W Network (MMG) Company's share capital – Saudi Arabia)	402 247	402 247
	<b><u>14 686 247</u></b>	<b><u>14 686 247</u></b>

**9. Other long term receivables**

	<b>30/06/2012</b>	<b>31/12/2011</b>
	<b><u>L.E</u></b>	<b><u>L.E</u></b>
Due from clients (construction)	108 297 246	192 963 125
Other debit balances	30 899 638	10 462 759
	<b><u>139 196 884</u></b>	<b><u>203 425 884</u></b>

**10. Inventories**

	<b>30/6/2012</b>	<b>31/12/2011</b>
	<b><u>L.E</u></b>	<b><u>L.E</u></b>
Raw materials and consumables	1 103 730 942	1 479 744 787
Spare parts	141 981 192	141 929 592
Work in progress	607 174 976	568 592 471
Finished goods	1 399 404 479	1 147 292 997
Goods in transit	453 518 387	216 086 951
	<b><u>3 705 809 976</u></b>	<b><u>3 553 646 798</u></b>

Some of inventories items are recorded according to its net realizable value. The difference between the book value of these items and its net realizable value is L.E 34 713 526 at 30 June 2012. (L.E 29 752 405 at 31 December 2011).

**EL Sewedy Electric company****Notes to the consolidated financial statements – 30 June 2012****11. Trade, notes and other receivables**

	<b>30/6/2012</b>	<b>31/12/2011</b>
	<b><u>L.E</u></b>	<b><u>L.E</u></b>
Trade receivables	3 113 990 177	3 082 202 269
Notes receivables	186 187 125	281 292 923
Due from clients (constructions)	454 169 641	417 888 526
Other receivables	620 805 692	609 349 649
	<b><u>4 375 152 635</u></b>	<b><u>4 390 733 367</u></b>

Trade, notes and other receivables are recorded after deducting impairment losses amounted to L.E 197 306 170 at 30 June 2012. ( L.E 216 868 755 at 31 December 2011)

**12. Investment fund / treasury bills**

	<b>30/6/2012</b>	<b>31/12/2011</b>
	<b><u>L.E</u></b>	<b><u>L.E</u></b>
Investment funds / treasury bills	258 052 036	401 452 323
	<b><u>258 052 036</u></b>	<b><u>401 452 323</u></b>

This item includes investment in funds amounted to L.E. 651 942 at 30 June 2012 (L.E. 1 020 953 at 31 December 2011) The returns on these investment recorded in the consolidated income statement for the period ended 30 June 2012 amounted to L.E 46 475 (L.E 129 923 as of 30 June 2011).

The accrued interest on investment of treasury bills amounted to L.E 19.7 million at the consolidated balance sheet date ( L.E 19.7 Million as at 30 June 2011).The interest rate range is between 7 % and 13.94%.

**13. Banks and cash in hand**

	<b>30/06/2012</b>	<b>31/12/2011</b>
	<b><u>L.E</u></b>	<b><u>L.E</u></b>
Banks - Time deposits (*)	65 608 785	88 248 739
Banks - Current accounts (**)	912 519 611	1 149 468 054
Cash in hand	3 950 758	4 734 649
	<b><u>982 079 154</u></b>	<b><u>1 242 451 442</u></b>

(\*) Time deposits include L.E 4 940 848 at 30 June 2012 blocked as a security for credit facilities, letters of guarantee and letters of credit. (2011:- L.E 4 925 640).

(\*\*) Banks - Current accounts include L.E 2 320 901 at 30 June 2012 blocked as a security for letters of credit. (2011:- L.E 6 917 677).

## EL Sewedy Electric company

## Notes to the consolidated financial statements – 30 June 2012

**14. Banks – credit facilities and overdraft**

The banks–credit facilities and overdraft items of L.E 3 646 997 328 (L.E 4 061 203 803 at 31 December 2011) represented in the credit facilities and overdraft secured by promissory notes, current accounts and joint guarantees. The average interest rate is annually 10.5 % or 0.5 % over the Central Bank of Egypt borrowing and lending rate for the Egyptian Pound, 0.75 % over Libor and 1.5 % monthly commission on the highest debit balance for US Dollar and 1.5 % over Eurobor for the Euro facilities .

**15. Loans**

This item represents the loans granted to the company and its subsidiaries as follows:-

	30/6/2012 <u>L.E</u>	31/12/2011 <u>L.E</u>
<b><u>Current liabilities</u></b>		
Loans due within one year	839 833 331	921 816 006
	<u>839 833 331</u>	<u>921 816 006</u>
<b><u>Long-term liabilities</u></b>		
Secured bank loans	657 404 642	787 930 210
Unsecured bank loans	23 785 833	37 439 875
	<u>681 190 475</u>	<u>825 370 085</u>

The unsecured short term loans amounted to L.E 33 145 766 at 30 June 2012 (L.E 38 112 865 at 31 December 2011)

The average interest rate for loans and credit facilities is 10.5% for the Egyptian pounds and 1.5% over LIBOR for the US Dollars.

Loans of granted to the company and its subsidiaries are secured by promissory notes from subsidiaries approximately of L.E 1 323 million, Euro 80.5 million, USD 376 million, DZD 5,179 million and joint guarantees amounted to L.E 1 164 million and mortgaged machineries, equipments and vehicles amounted to USD 10 million, in-addition the company shares in Iskra Emeco Slovenia (subsidiary).

**16. Trade, notes and other payables**

	30/6/2012 <u>L.E</u>	31/12/2011 <u>L.E</u>
Trade and notes payables	1 162 114 298	1 123 731 595
Non-trade payables and accrued expenses	1 046 694 474	805 865 257
	<u>2 208 808 772</u>	<u>1 929 596 852</u>

**EL Sewedy Electric company****Notes to the consolidated financial statements – 30 June 2012****17. Provisions**

	<b>30/6/2012</b>	<b>31/12/2011</b>
	<b><u>L.E</u></b>	<b><u>L.E</u></b>
Balance as at 1/1	49 138 467	71 805 769
Formed during the period/year	648 870	7 689 598
Used during the period/year	(385 392)	(21 924 185)
Provisions no longer required	-	(8 420 413)
Exchange rates and adjustments	(2 647 797)	(12 302)
	<b><u>46 754 148</u></b>	<b><u>49 138 467</u></b>

**18. Share Capital****Authorized share capital**

The Company's authorized share capital is L.E. 5 billion.

**Issued and paid in share capital**

The issued and fully paid-in share capital of the Company is amounted to L.E 1 718 600 000 on June 30, 2011 divided over 171 860 000 share with par value L.E 10 each.

The Company Extra Ordinary General Assembly held on 26/4/2011 decided to increase the Company's issued capital by issuing 51 558 000 shares with amount of L.E. 515 580 000 as a share dividends. Accordingly the company's issued capital after this shares dividends becomes L.E. 2 234 180 000 divided over 223 418 000 share with par value L.E 10 each.

This change was authenticated in the company commercial register on 28/7/2011 .

**19. Reserves**

	<b>30/6/2012</b>	<b>31/12/2011</b>
	<b><u>L.E</u></b>	<b><u>L.E</u></b>
Legal reserve	90 080 846	78 252 077
General reserve	43 816 730	43 816 730
	<b><u>134 697 576</u></b>	<b><u>122 068 807</u></b>

**Legal reserve**

According to the Companies Law and the statutes of the Company, 5% of the annual net profit is set aside to form a legal reserve. The transfer to legal reserve cease once the reserve reach 20% of the issued share capital. The reserve is not distributable, however, it can be used to increase the share capital or offset losses. If the reserve falls below the defined level, then the Company is required to resume setting aside 5% of the annual profit until it reaches 20% of the issued share capital.

**General reserve**

The general reserve amounted to L.E 43 816 730 represents realized gain from sale of treasury bills of 2.5 million of own shares at 3/6/2007.

**EL Sewedy Electric company**

**Notes to the consolidated financial statements – 30 June 2012**

**20. Deferred Tax**

	<b>30/6/2012</b>	<b>31/12/2011</b>
	<b><u>L.E</u></b>	<b><u>L.E</u></b>
Deferred tax assets	34 818 960	37 273 619
Deferred tax liability	<u>(123 515 318)</u>	<u>(119 655 377)</u>

**Unrecognized deferred tax assets**

	<b>30/6/2012</b>	<b>31/12/2011</b>
	<b><u>L.E</u></b>	<b><u>L.E</u></b>
Clients and debtors	48 826 543	53 717 188
Provisions	11 188 537	9 284 617
	<u><b>60 015 080</b></u>	<u><b>63 001 805</b></u>

Deferred tax assets relating to these items have not been recognized because the necessary conditions for the reversal of the temporary differences have not been met.

**21. Other liabilities – Long term**

	<b>30/6/2012</b>	<b>31/12/2011</b>
	<b><u>L.E</u></b>	<b><u>L.E</u></b>
Sales tax on imported machines	280 241	621 961
Other creditors	73 412 131	77 830 753
	<u><b>73 692 372</b></u>	<u><b>78 452 714</b></u>

**22. Segment reporting**

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure. Segment results include items directly attributable to each segment as well as those that can be allocated on a reasonable basis.

## Primary Reporting Format – Business Segments - 30 June 2012

The revenue analysis in the table below is based on the type of business activities at 30 June 2012

	Power and Special Cables		Turn Key	Electric Products and Accessories		Elimination	Consolidated
	Egypt	International	projects	Egypt	International		30/06/2012
	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
Local Sales	1 232 497 759	1 689 168 963	540 987 240	225 885 154	185 022 220	-	3 873 561 336
Export Sales and construction revenues	2 387 398 165	163 957 326	368 187 558	84 198 100	250 178 090	-	3 253 919 239
Total revenue without inter segment sales	3 619 895 924	1 853 126 289	909 174 798	310 083 254	435 200 310	-	7 127 480 575
Inter segment revenues	2 704 156 281	222 751 373	53 962 462	60 047 339	17 910 827	( 3 058 828 282)	-
Total revenue	6 324 052 205	2 075 877 662	963 137 260	370 130 593	453 111 137	( 3 058 828 282)	7 127 480 575
Total Cost	( 5 921 416 457)	( 1 903 293 436)	( 782 226 021)	( 289 704 992)	( 342 344 465)	3 058 828 282	( 6 180 157 089)
Gross Profit	402 635 748	172 584 226	180 911 239	80 425 601	110 766 672	-	947 323 486
Total selling & marketing expenses	( 91 944 680)	( 28 848 504)	( 9 405 410)	( 24 725 502)	( 33 871 226)	-	( 188 795 322)
Segment profit	310 691 068	143 735 722	171 505 829	55 700 099	76 895 446	-	758 528 164
Other operating income							17 195 503
General and Administrative expenses							( 256 458 876)
Other operating expenses							( 55 102 980)
Net financing costs							( 284 620 204)
Current income tax							( 43 962 708)
Deferred income tax expense							( 2 285 380)
Net profit for the period							<u>133 293 519</u>
						<u>Unallocated</u>	
Depreciation	58 646 649	65 601 292	9 706 066	11 744 359	17 767 824	929 439	164 395 629
Assets	5 134 906 884	3 006 186 632	1 209 414 257	1 121 087 432	1 651 465 362	1 339 409 859	13 462 470 426
Liabilities	( 757 601 509)	( 525 105 740)	( 791 810 621)	( 103 175 168)	( 229 993 369)	( 5 804 043 831)	( 8 211 730 238)
Additions to fixed assets and projects under progress	42 787 350	30 245 158	5 150 028	4 930 658	8 159 091	1 123 484	92 395 769





**Jewelry Electric Company**  
**as to the consolidated financial statements- 30 June 2012**

Translated from Arabic

**Primary Reporting Format - Geographical segments by location - 30 June 2012**

venues according to geographical segment is as follows:

	Egypt	Syria	Sudan	Qatar	Ghana	Iraq	Slovenia	Saudi Arabia	Algeria	Ethiopia	Zambia	Nigeria	Yemen	Spain	Others	Elimination	Total
	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E	30/06/2012 L.E
venues	7 571 815 265	322 202 798	129 653 586	539 143 654	-	52 015 769	351 699 196	653 696 657	393 682 797	53 035 966	41 278 309	9 145 408	6 156 341	4 899 590	57 883 521	( 3 058 828 282)	7 127 480 575
ests	8 558 168 018	411 476 804	245 083 387	643 495 266	44 791 097	40 046 008	778 339 731	853 937 945	712 254 755	131 220 633	115 656 166	99 275 903	122 735 704	552 633 727	153 355 282		13 462 470 426
ilities	( 7 369 363 829)	( 35 953 393)	( 72 812 983)	( 177 288 743)	( 597 664)	( 809 926)	( 187 854 819)	( 104 731 161)	( 126 429 614)	( 11 220 942)	( 6 284 798)	( 5 864 785)	( 18 523 225)	( 17 077 340)	( 76 917 016)		( 8 211 730 238)
ditions of fixed assets and projects under struction	53 027 060	1 441 289	3 739 799	5 313 042	3 893	49 275	4 701 710	1 648 737	20 021 804	817 469	107 036	472 308	121 881	50.674.00	879 792		92 395 769

The company has a contract in Libya for supplying turbines amounted to Euro 81 million (L.E. 621 million) in which Euro 14 million (L.E 109 million) from the total contract was executed and collected, the balance of the advance payment in relation to the contract amounted to Euro 10 million ( L.E.78 million). The execution of the remaining part of the contract depend on the supply schedule in the light of the current circumstances in Libya. The contract work is in term of a letter of credit issued in favor of the company

**El Sewedy Electric Company**

**Notes to the consolidated financial statements- 30 June 2012**

*Translated from Arabic*

**Primary Reporting Format – Business Segments - 30 June 2011**

The revenue analysis in the table below is based on the type of business activities at 30 June 2011

	<b>Power and Special Cables</b>		<b>Turn Key</b>	<b>Electric Products and Accessories</b>		<b>Elimination</b>	<b>Consolidated</b>
	<b>Egypt</b>	<b>International</b>	<b>projects</b>	<b>Egypt</b>	<b>International</b>		<b>30/06/2011</b>
	<b><u>L.E</u></b>	<b><u>L.E</u></b>	<b><u>L.E</u></b>	<b><u>L.E</u></b>	<b><u>L.E</u></b>	<b><u>L.E</u></b>	<b><u>L.E</u></b>
Local Sales	1 442 808 980	1 415 711 096	731 181 946	85 821 297	338 507 010	-	4 014 030 329
Export Sales and construction	2 633 233 758	219 293 638	350 770 884	144 647 275	124 516 613	-	3 472 462 168
Total revenue without inter segment sales	4 076 042 738	1 635 004 734	1 081 952 830	230 468 572	463 023 623	-	7 486 492 497
Inter segment revenues	2 935 136 499	319 067 968	49 011 667	88 316 085	9 328 353	( 3 400 860 572)	-
Total revenue	7 011 179 237	1 954 072 702	1 130 964 497	318 784 657	472 351 976	( 3 400 860 572)	7 486 492 497
Total Cost	( 6 593 707 236)	( 1 793 909 955)	( 890 850 248)	( 248 871 734)	( 377 784 426)	3 400 860 572	( 6 504 263 027)
<b>Gross Profit</b>	417 472 001	160 162 747	240 114 249	69 912 923	94 567 550	-	982 229 470
Total selling & marketing expenses	( 89 676 232)	( 22 390 132)	( 6 509 505)	( 12 816 820)	( 33 613 755)	-	( 165 006 444)
<b>Segment profit</b>	327 795 769	137 772 615	233 604 744	57 096 103	60 953 795	-	<b>817 223 026</b>
Other operating income							51 524 216
Administrative expenses							( 267 152 282)
Other operating expenses							( 34 550 475)
Net financing costs							( 152 005 416)
Current income tax							( 55 243 370)
Deferred income tax expense							( 7 500 916)
<b>Net profit for the year</b>							<b>352 294 783</b>
						<b>Unallocated</b>	
Depreciation (L.E)	52 157 869	70 759 682	10 152 242	8 473 360	18 861 034	6 413 269	166 817 455
Assets (L.E)	5 828 992 154	3 333 234 808	1 616 368 653	568 074 601	1 768 228 384	1 300 602 262	14 415 500 862
Liabilities (L.E)	( 530 107 968)	( 465 242 786)	( 898 733 003)	( 70 013 529)	( 192 165 060)	( 6 783 226 913)	( 8 939 489 259)
Additions to fixed assets and projects under progress	51 846 559	31 508 951	7 389 203	8 532 356	56 526 499	2 797 737	158 601 305



medy Electric Company  
to the consolidated financial statements- 30 June 2012

Translated from Arabic

ndary Reporting Format - Geographical segments by location - 30 June 2011

ness according to geographical segment is as follows:

	Egypt	Syria	Sudan	Qatar	Ghana	Iraq	Kuwait	Slovenia	Saudi Arabia	Algeria	Ethiopia	Zambia	Nigeria	Yemen	Spain	Others	Elimination	Total 30/06/2011
	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE
ness (L.E)	8 298 742 626	580 239 712	197 392 935	345 808 432	13 889 562	57 083 773	3 506 819	291 915 660	604 836 626	334 107 667	30 650 861	22 312 033	14 039 697	16 669 754	7 101 323	69 055 588	( 3 400 860 571)	7 486 492 497
ts (L.E)	8 979 354 329	854 355 939	479 724 080	572 387 537	49 053 628	57 953 214	6 220 908	784 200 112	847 683 379	617 229 483	136 030 226	90 501 902	106 762 686	138 856 284	579 981 371	115 235 784		14 415 500 862
lives (L.E)	( 8 205 052 168)	( 59 822 036)	( 72 682 866)	( 184 570 332)	( 1 315 628)	( 3 073 165)	( 452 979)	( 1 59 784 881)	( 122 842 441)	( 58 779 179)	( 6 816 890)	( 3 004 763)	( 8 267 859)	( 7 423 856)	( 14 324 414)	( 49 275 799)		( 8 939 489 259)
l assets additions and projects r progress	68 943 297	13 427 899	1 985 557	3 417 055	101 933	18 331	3 046	5 261 298	6 409 243	6 358 613	241 450	7 171 903	717 380	301 171	39 417 678	4 825 451		158 601 305

## EL Sewedy Electric company

## Notes to the consolidated financial statements – 30 June 2012

## 23. Other operating income

	From 1/4/2012 to 30/6/2012 <u>L.E</u>	From 1/1/2012 to 30/6/2012 <u>L.E</u>	From 1/4/2011 to 30/6/2011 <u>L.E</u>	From 1/1/2011 to 30/6/2011 <u>L.E</u>
Provisions no longer required	-	-	4 369 000	4 369 000
Investment income	-	-	39 739	1 568 434
Capital gain & other income	(5 423 812)	17 195 503	21 807 294	45 586 782
	<u>(5 423 812)</u>	<u>17 195 503</u>	<u>26 216 033</u>	<u>51 524 216</u>

## 24. Other operating expenses

	From 1/4/2012 to 30/6/2012 <u>L.E</u>	From 1/1/2012 to 30/6/2012 <u>L.E</u>	From 1/4/2011 to 30/6/2011 <u>L.E</u>	From 1/1/2011 to 30/6/2011 <u>L.E</u>
Provisions formed	642 552	648 871	5 367 200	7 050 536
Impairment loss of receivables	14 716 262	20 440 807	10 192 551	12 480 655
Amortization	2 606 598	5 008 810	3 566 190	7 127 448
Others	16 521 836	29 004 492	776 596	7 891 836
	<u>34 487 248</u>	<u>55 102 980</u>	<u>19 902 537</u>	<u>34 550 475</u>

## 25. Net financing cost

	From 1/4/2012 to 30/6/2012 <u>L.E</u>	From 1/1/2012 to 30/6/2012 <u>L.E</u>	From 1/4/2011 to 30/6/2011 <u>L.E</u>	From 1/1/2011 to 30/6/2011 <u>L.E</u>
<b><u>Finance income</u></b>				
Interest income	2 911 275	8 819 737	7 258 688	8 321 083
Foreign exchange gain	(9 604 813)	-	(12 676 026)	-
Treasury bills and investment fund income	9 893 989	21 003 700	9 631 917	19 872 691
	<u>3 200 451</u>	<u>29 823 437</u>	<u>4 214 579</u>	<u>28 193 774</u>
<b><u>Finance cost</u></b>				
Interest expense and finance charges	(119 347 958)	(222 409 667)	(88 165 611)	(149 884 736)
Foreign exchange loss	(92 033 974)	(92 033 974)	(30 314 454)	(30 314 454)
	<u>(211 381 932)</u>	<u>(314 443 641)</u>	<u>(118 480 065)</u>	<u>(180 199 190)</u>
<b>Net financing cost</b>	<u>(208 181 481)</u>	<u>(284 620 204)</u>	<u>(114 265 486)</u>	<u>152 005 416)</u>

## 26. Capital commitments

The Group's capital commitment as at 30 June 2012 is L.E. 61 million (2011:- L.E 90 million). The commitments are expected to be settled in the next financial year.

**EL Sewedy Electric company****Notes to the consolidated financial statements – 30 June 2012****27. Contingencies**

	<b>30/6/2012</b>	<b>31/12/2011</b>
	<b><u>L.E</u></b>	<b><u>L.E</u></b>
Uncovered portion of letters of guarantees and letter of credits	<b>2 290 334 194</b>	<b>2 482 133 080</b>

**28. Related parties**

Related parties are represented in the Company's shareholders and the companies in which the shareholders own directly or indirectly shares that give them the ability to control or significantly influence these companies. The main transactions with the related parties are sale of finished products. The total value of sales to the affiliates during the financial period is L.E 616 million. The following are the balances of related parties as at 30 June 2012:-

	<b>30/6/2012</b>	<b>31/12/2011</b>
	<b><u>L.E</u></b>	<b><u>L.E</u></b>
<b>Stated under current assets</b>		
<b>"Due from affiliates"</b>		
El Sewedy for Tools & Cables	43 183 264	21 769 132
Consolidated Suppliers	-	211 348
Siag International	8 602 720	4 667 913
Iskra Sarajevo	1 685 858	8 874 511
Iskra Malaysia	1 315 183	2 959 249
Iskra Mavira	4 342 999	5 375 998
El Sewedy Emirates (UAE)	1 104 313	2 432 364
Investment holding group – Qatar	18 582 064	16 192 102
Aamal Holding Group Co.	6 626 541	20 201 858
3W Networks Egypt	11 768 265	11 887 612
Gelenkor International A.G	-	14 960 430
Rowad for Modern Engineering-Algeria	1 971 092	2 301 241
National Electricity Authority - Sudan	6 246 141	11 884 809
Aloula for Real estate Development – Saudi Arabia	7 289 004	2 000 000
3W Networks Qatar	2 165 227	1 636 282
Energia for Cables	2 051 074	1 555 812
M.Toress Group	-	2 416 250
Rowad for Modern Engineering-Libya	596 548	596 548
Trelco Limited – Qatar	483 549	1 291 716
Aiash – Yemen	338 348	1 420 089
United Transformers Limited - Saudi Arabia	4 545 312	1 183 626
ElSewedy Electric Europe- Germany	6 672 418	4 701 941
Engineering and Construction Industries – SiPack	4 955 502	5 552 800
Shareholders current account of some external subsidiaries	6 149 626	4 187 675
Others	5 297 716	5 633 138
	<b><u>145 972 764</u></b>	<b><u>155 894 444</u></b>

**EL Sewedy Electric company****Notes to the consolidated financial statements – 30 June 2012**

	30/6/2012	31/12/2011
	<u>L.E</u>	<u>L.E</u>
<b>Stated under current liabilities</b>		
<b>“Due to affiliates”</b>		
Shareholders current account in some external subsidiaries	10 319 673	3 067 133
United Transformers- Saudi Arabia	30 687 956	30 545 531
Misr for Mechanical and Electrical Projects	5 593 896	12 203 809
Arab Steel Fabrication Co.	6 577 518	5 956 466
Thomas and Peets	2 492 009	2 083 540
Military Industrialization Authority	2 840 412	28 754 183
Siag International	19 169 437	20 952 695
Elsewedy for Manufacturing Constructions Materials	1 114 889	-
Trelco Qatar	1 422 213	3 972 883
Qatar for Investment Group	33 251 594	50 795 502
Aamal Holding Group Co.	26 798 985	69 186 853
Engineering and Construction Industries – Sipack	1 687 922	3 946 365
Emas of Modern Systems	391 166	2 573 985
National Electricity Authority - Sudan	5 517 210	-
Others	7 222 716	6 421 565
	<b>155 087 596</b>	<b>240 460 510</b>

**Subsidiaries and jointly controlled**

The following are subsidiaries and jointly controlled entities owned by the company as at 30 June 2012:-

	Date of acquisition	Country	Nature of contribution	% of share
<b>Subsidiaries Co. for El Sewedy Electric</b>				
Egyptian Company For Advanced Industries	21-06-2005	Egypt	Direct	98.00
United Metals Co.	23-06-2005	Egypt	Direct	99.80
**Sedplast Co. (Under Liquidation)	25-08-2005	Egypt	Direct	99.90
Egytech Cables Co.	25-12-2005	Egypt	Direct	99.98
United Industries Co.	25-12-2005	Egypt	Direct	99.98
Elastymould (subsidiary of Egyptian Company for Advanced Industries)	22-02-2006	Egypt	Indirect	49.60
El Sewedy for External cables Co.(El Sewedy Electric previously)	19-04-2006	Egypt	Direct	99.96
United Wires Co.	02-11-2006	Egypt	Direct	99.94
Egyplast Co.	24-12-2006	Egypt	Direct	99.90
***El Sewedy Cables – Egypt	21-02-2007	Egypt	Direct	99.87
**Red Sea Co. for Copper (Under Liquidation)	21-06-2007	Egypt	Direct/Indirect	74.00
Elsewedy Electric Co. For Transmission	21-10-2007	Egypt	Direct	97.00
Pyramids Industrial Urban Development	27-09-2007	Egypt	Direct/Indirect	50.00
El Sewedy Power (Electric High Voltage previously)	27-09-2007	Egypt	Direct	96.00
El Sewedy Sedco for Petroleum services	10-01-2008	Egypt	Direct	96.00
Iskra Emco Energy Measurement – Misr	18-02-2008	Egypt	Direct	99.00
Iskra Emco Slovenia	01-01-2008	Slovenia	Direct	99.70

**EL Sewedy Electric company****Notes to the consolidated financial statements – 30 June 2012**

	<b>Date of acquisition</b>	<b>Country</b>	<b>Nature of contribution</b>	<b>% of share</b>
Egyptian Company for Insulators Industry	30-06-2008	Egypt	Direct/Indirect	69.83
Elsewedy Electric Co. For Trading and Distribution.	21-12-2008	Egypt	Direct	99.8
Siag El Sewedy for Towers	17-08-2008	Egypt	Direct	49.00
El Sewedy for Wind Energy Generation	10-07-2008	Egypt	Direct	99.8
Power System Projects Company	31-12-2008	Egypt	Direct	75.00
**Desert Wind Company(Under Liquidation)	31-12-2008	Egypt	Direct	49.90
**Wind Blades Company(Under Liquidation)	31-03-2009	Egypt	Direct	99.60
El Sewedy Electric Contracting and Engineering Zambia	31-03-2009	Zambia	Direct	49.90
El-Ola for development Industrial zone	30-9-2009	Egypt	Direct/ Indirect	50.00
El Sewedy Energy Distribution	31-12-2009	Sudan	Indirect	96.90
**International Company for Development Research Technology and Measurement Devices (R & D Tech.) . (Under Liquidation)	30-6-2010	Egypt	Direct	90.00
Rowad Engineering Co.	30-6-2010	Egypt	Indirect	65.00
Pyramids Zonafranca-Egypt	30-6-2010	Egypt	Indirect	47.5
Etalsamia	30-6-2010	Egypt	Indirect	99.98
Arab Company for Constructions Management, Guard and Security Services.	12-10-2011	Egypt	Indirect	100
Arab company for Electricity and Power Limited	7-12-2011	Yemen	Indirect	50
Double Energy two company	11-1-2011	Bulgaria	Indirect	87
<b>Subsidiaries for El Sewedy for External Cables Co.</b>				
El Sewedy Cables – Syria	28-02-2006	Syria	Indirect	96
Sudanese Egyptian Electric	13-02-2006	Sudan	Indirect	70.00
**Giyad El Sewedy for Transport Limited. (Under Liquidation)	13-02-2006	Sudan	Indirect	99
Giyad Cables Co.	13-02-2006	Sudan	Indirect	45.00
El Sewedy Electric Ghana Limited	10-02-2006	Ghana	Indirect	71.83
El Sewedy Cables – Qatar	20-04-2006	Qatar	Indirect	24.50
El Sewedy Cables – Algeria	03-10-2006	Algeria	Indirect	99
El Sewedy Electric – Syria	30-10-2006	Syria	Indirect	95.97
Senyar Holding	09-05-2008	Qatar	Indirect	50.00
El Sewedy Cables Arable Iraq	07-10-2007	Iraq	Indirect	50.00
Sedplast Co. – Syria	22-07-2007	Syria	Indirect	98.00
El Sewedy Cables Limited	24-12-2006	Saudi	Indirect	60.00
El Sewedy Cables – Yemen	13-05-2007	Yemen	Indirect	70.00
**El Sewedy Cables – Kuwait.(Under Liquidation)	18-02-2008	Kuwait	Indirect	49.00
**El Sewedy Cables – South Africa. (Under Liquidation)	13-05-2007	Malawi	Indirect	99.5
**Power Empire – China. (Under Liquidation)	01-01-2008	China	Indirect	100
El Doha Cables- Qatar	09-05-2008	Qatar	Indirect	45.56
El Sewedy Electric Limited – Zambia	31-03-2009	Zambia	Indirect	60.00
El Sewedy Electric Limited – Nigeria	31-03-2009	Nigeria	Indirect	94.74

**EL Sewedy Electric company****Notes to the consolidated financial statements – 30 June 2012**

	<b>Date of acquisition</b>	<b>Country</b>	<b>Nature of contribution</b>	<b>% of share</b>
Libya for Common Cables	30-9-2009	Libya	Indirect	55.00
**El Sewedy Electric Transmission and Power Distribution. (Under Liquidation)	31-12-2009	Algeria	Indirect	97.00
Iskra Malta	31-12-2009	Malta	Direct /Indirect	99.98
Red Sea for copper – Egypt	31-12-2009	Egypt	Direct /Indirect	100
**M.A.S for Trading and Contracting. (Under Liquidation)	3-3-2010	Egypt	Indirect	60
M.Torres – Spain	10-1-2010	Spain	Indirect	90
United Co. For Electrical Industries	31-3-2010	Saudi	Indirect	60
Sweg - Malta	31-12-2009	Malta	Direct/ Indirect	99.97
3W Network – Emirates	30-6-2010	Emirates	Indirect	75
Elsewedy for trade Limited	31-3-2011	Syria	Indirect	96
Egyplus Energy PVT LTD- India	31-3-2011	India	Indirect	99.6

\*From 1/1/2010 the Arab Cable Company was merged into Egytech Company.

\*\*According to board of director decision at 29 May 2012, the board decided to liquidate these subsidiaries and close its commercial register.

\*\*\*The investments in Elsewedy Cables-Egypt currently is being split between Elsewedy cables-Egypt and Transformer plant

**29. Tax status****El Sewedy Electric Company**

The following represents subsidiaries subject to corporate income tax, free zone subsidiaries and subsidiaries enjoying tax exemption from corporate tax

**Subsidiaries in Egypt subject to corporate income tax**

Sed Plast Company  
Pyramids Industrial Urban Development  
Elsewedy Electric Co. For Trading and Distribution.  
Power Systems Projects Co. – Madkour  
Egyptian company for Insulators Industry Co.  
Iskra Emeco Energy Measurement – Misr  
Egytech Cables Co.  
EL - Ola for Development Industrial zones  
United Metals Co.  
United Industries Co.  
Sedco Advanced  
Elastimold.  
Siag ElSewedy for Towers  
ElSewedy for Wind Energy Generation  
Desert Wind Company  
Wind Blades Company  
M.A.S .for Trading and Contracting  
International company for development research technology and measurement devices (R&D Tech.)  
Rowad Engineering Co.  
Pyramids Zonafranca –Egypt  
Arab Company for Premises Management, Guard and Security Services.



**EL Sewedy Electric company**

**Notes to the consolidated financial statements – 30 June 2012**

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**Subsidiaries outside Egypt subject to corporate income tax**

El Sewedy Cables – Qatar  
El Sewedy Cables – Saudi Arabia  
El Sewedy Cables – South Africa ( Malawi )  
EL Sewedy Cables Syria  
Iskra Emeco – Slovenia  
El Sewedy Cables – Arbil Iraq  
El Sewedy Cables – Kuwait  
Power Empire China  
Senyar Holding – Qatar  
El Doha Cables – Qatar  
El Sewedy Electric Contracting and Engineering – Zambia  
Libya For Common Cables  
EL Sewedy Electric Transmission and Power Distribution - ( Algeria )  
EL Sewedy for Energy Distribution Co. Ltd Sudan  
Sudatraf  
Giad EL Sewedy for Transport Limited  
M. Toress-Spain.  
United Electrical Industries Limited – Saudi Arabia  
Iskra – Malta  
Sweg- Malta  
Elsewedy Trade Limited - Syria  
Egyplus Energy PVT LTD – India  
El Sewedy Cables – Ethiopia  
Arab Company for Electricity and Limited – Yemen  
Double Energy Two Company – Bulgaria

**Free Zone subsidiaries in Egypt**

El Sewedy for External Cables (El Sewedy Electric previously)  
Red Sea for Copper  
El Sewedy Power (previously High Voltage)  
El Sewedy Electric Transmission and Power Distribution  
El Sewedy Sedco for Petroleum Services  
Red Sea for Copper – Egypt

**Free Zone subsidiaries out Egypt**

El Sewedy Electric Ghana  
3W Network – Emirates

**Subsidiaries in Egypt enjoying tax exemption from corporate income tax**

Egy Plast Co.  
United wires Company  
Elsewedy Cables – Egypt  
Etalsamia

**End of tax  
exemption**  
31/12/2017  
31/12/2017  
17/05/2018  
31/12/2019

**EL Sewedy Electric company**

**Notes to the consolidated financial statements – 30 June 2012**

**Subsidiaries outside Egypt enjoying tax exemption from corporate income tax**

	<b>End of tax exemption</b>
EL Sewedy Cables Yemen	(7 years since inception of the company's production)
EL Sewedy Cables Algeria	15/5/2013
EL Sewedy Electric Syria	9/9/2012
Sed Plast Syria	(5 years since inception of the company's production)
Giyad Cables El Sewedy	14/12/2012
El Sewedy Electric Limited – Zambia	(2:5 years since inception of the company's production)
El Sewedy Electric Limited – Nigeria	(2 years since inception of the company's production)

**30. Intangible assets**

The intangible assets at June 30, 2012 are as follows :

	<b>30/6/2012</b>	<b>31/12/2011</b>
	<b>L.E.</b>	<b>L.E.</b>
Goodwill *	89 269 314	89 269 314
Other intangible assets	150 175 827	138 050 651
	<b>239 445 141</b>	<b>227 319 965</b>

\*Goodwill balance includes L.E 48.6 million as a result of acquisition of M.Torres, in-addition to the goodwill acquisition of Egyptian Company for Insulators Industry of L.E. 28.4 million, and the acquisition of other companies resulted in goodwill with approximately L.E 12 million at acquisition date.

Other intangible assets include patent after amortization amounted to L.E 70 454 650 as of 30 June 2012 (L.E 72 467 640 at 31 December 2011).

**31. Shares based payment**

The general assembly dated 13 April 2008 decided to issue 200 000 shares with par value of L.E 10 each as employees share options according to the ministerial decree No 282 for 2005. The Extraordinary General assemblies dated 19 April 2010 and 26 April 2011 decided a shares dividend (3 shares for each 10 shares). Each financial year is charged by part of the fair value of these shares. The employee has the right at each year end during the three years scheme to exercise part of the shares based payments in the following rates:-

First year	20%
Second year	30%
Third year	50%

The fair value of the services rendered in return of the shares granted as at 31 December 2011 is as follows:

Number of shares granted as at 31 December 2008	126 000
Share dividends (3 for each 10)	52 383
Exercised up to 31 December 2011	(161 227)
Canceled shares up to 31 December 2011	(17 156)
	<b>4 227 700</b>
Fair Market value at 31 December 2011	

**EL Sewedy Electric company**

**Notes to the consolidated financial statements – 30 June 2012**

The granted options were fully exercised and there is a remaining balance of shares of 142 216 available for share options.

**32. Capital lease**

The company sold some of its fixed assets to the International Company for Capital Lease (Incolease) by virtue of an initial contract of USD \$ 32 283 318 equivalent to the net book value of L.E 181 990 960. The company leased back these assets by virtue of capital lease contract of USD \$ 36 010 100 to be paid over 20 quarterly installments during the period of USD \$ 1 800 505 each. The lease contract contains a bargain option to purchase the leased assets at a purchase bargain option of L.E 4 during the last 2 months at the end of each contract or at the end of each year from the date of the lease. A capital gain of L.E 5 363 286 resulted from sale of these fixed assets, which is amortized over the lease contract period.

**33. Earnings per share**

	from 1/4/2012 to 30/6/2012	from 1/1/2012 to 30/6/2012	from 1/4/2011 to 30/6/2011	from 1/1/2011 to 30/6/2011
Profits attributable to the ordinary shareholders	31 642 143	129 982 516	160 645 292	331 952 950
Weighted average number of shares:				
Issued capital at 1/1	223 418 000	223 418 000	132 200 000	132 200 000
Issuance of own stock (19 April 2010)	-		39 660 000	39 660 000
Issuance of own stock (26 April 2011)	-		51 558 000	51 558 000
Own stock (Employees share based payments)	(142 216)	(142 216)	(159 605)	(79 802)
Weighted average number of shares	<u>223 275 784</u>	<u>223 275 784</u>	<u>223 258 395</u>	<u>223 338 198</u>

**34. Financial instruments and the related risks**

The main risks related to the company activities are:

- Credit risk
- Liquidity risk
- Market risk

The Company risk management policies are established to identify and analyze the risk faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company activities. The Company, through its training and management standards and procedures aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Company does not use derivative financial instruments.

**EL Sewedy Electric company****Notes to the consolidated financial statements – 30 June 2012****Credit risk**

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and cause the other party to incur financial loss. This risk arises from the receivable and debtors.

(L.E million)

	30/6/2012	31/12/2011
Receivable, debtors and due from related parties	4 521	4 546
Cash and investments	1 240	1 643
	<u>5 761</u>	<u>6 189</u>

**Receivable aging**

(L.E million)

	30/6/2012	31/12/2011
Not due	340	143
Due for 30 days.	447	586
Due For 31 to 120 days	2 690	2 443
Due For 121 to 180 days	353	391
Due for More than 180 days	384	716
Others	307	267
	<u>4 521</u>	<u>4 546</u>

**Liquidity risk**

Payments to suppliers and creditors are due within a period of 90 day from receipt of goods or services.

	(L.E Thousand)			
	Less than 6 month <u>L.E</u>	6 - 12 month <u>L.E</u>	More than one year <u>L.E</u>	Other <u>L.E</u>
Creditors and due to related parties	878 079	876 621	83 041	823 266
Due to banks	1 297 317	1 190 496	424 246	2 468 395

**Foreign currency risk**

The following are the balances of monetary assets and liabilities in foreign currencies as of 30 June 2012:

(L.E Thousand)

	30/6/2012			31/12/2011		
	USD \$	Euro	GBP	USD \$	Euro	GBP
Financial assets	270 573	29 558	352	333 879	157 983	1 803
Financial liabilities	323 772	35 979	647	393 416	146 991	773

**EL Sewedy Electric company**  
**Notes to the consolidated financial statements – 30 June 2012**

The following are the significant foreign currency exchange rates during the period:

	Spot rates		Average rates	
	30/6/2012	31/12/2011	From 1/1/2012 to 30/6/2012	From 1/1/2011 to 30/6/2011
USD \$	6.06	6.03	6.0450	5.89
Euro	7.67	7.81	7.7400	8.20

**Interest rate risk**

The following are the Group interest bearing financial instruments:

	(L.E. million)	
	30/6/2012	31/12/2011
<b>Fixed interest rates</b>		
Financial assets	8	8
Financial liabilities	(320)	(369)
	<u>(312)</u>	<u>(361)</u>
<b>Variable interest rates</b>		
Financial assets	287	656
Financial liabilities	(1 184)	(1 218)
	<u>(897)</u>	<u>(562)</u>

The average interest rates are on the financial assets and liabilities as follows:

	L.E	EURO	USD\$
Financial assets	10	2	1.75
Financial liabilities	10.75	2.5	2.75

**35- Significant events at Arab Republic of Syria**

Arab Republic of Syria has encountered certain events that have a significant impact on the economic sectors in general, a matter which lead to a substantial decline in the economic activities. The effects of these events depend on the expected extent and its time frame. The total assets and liabilities of the subsidiaries operating in Syria are equivalent to L.E. 574 million and L.E. 374 million respectively as at 30 June 2012. The value of the assets and liabilities of these subsidiaries currently and in future may differ significantly when reliable evidence and indicators become available to the company in a way that enable the company to identify the extent and impact of such events on the carrying amounts of the assets and liabilities included in the balance sheet in future periods.